

CITY OF ORLAND

California

Annual Financial Report June 30, 2017

Elected Officials

City Council

**Dennis G. Hoffman
Bruce T. Roundy
Salina J. Edwards
James Paschall, Sr.
Charles W. Gee**

**Mayor
Vice Mayor
Member
Member
Member**

***City Clerk*
Angela Crook**

Appointed Officials

***City Manager*
Peter R. Carr**

***City Treasurer*
Deysy Guerrero**

CITY OF ORLAND

Table of Contents

INDEPENDENT AUDITOR'S REPORT	2-3
---	------------

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position	4
Statement of Activities	5

FUND FINANCIAL STATEMENTS

Governmental Funds:

Balance Sheet - Governmental Funds.....	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenue, Expenditures, and Change in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities.....	9

Proprietary Funds:

Statement of Net Position	10
Statement of Revenue, Expenses, and Change in Net Position	11
Statement of Cash Flows	12

NOTES TO FINANCIAL STATEMENTS.....	13-40
---	--------------

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions.....	41-42
Schedule of Funding Progress - Other Postemployment Benefits Plan	43
Budgetary Comparison Information	44-45

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds Financial Statements:

Combining Balance Sheet	46
Combining Statement of Revenue, Expenditures, and Change in Fund Balances	47

OTHER REPORT

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48
---	----

MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95821

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
City of Orland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orland, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orland, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Honorable Mayor
Members of the City Council
City of Orland, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension liability and contributions schedules, other postemployment benefits plan schedule of funding progress, and the respective budgetary comparison information of the general and major funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Orland' basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

Marcello & Company

Certified Public Accountants
Sacramento, California
December 1, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ORLAND
Government-wide Financial Statements
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 4,092,517	\$ 2,754,195	\$ 6,846,712
Receivables	614,975	124,887	739,862
Internal balances	(347,230)	347,230	-
Prepaid expenses	-	37,137	37,137
Notes receivable	6,432,652	-	6,432,652
Capital assets not being depreciated	440,515	1,327,299	1,767,814
Capital assets, net of depreciation	7,041,538	3,134,114	10,175,652
Total assets	<u>18,274,967</u>	<u>7,724,862</u>	<u>25,999,829</u>
Deferred Outflows of Resources			
Deferred pensions	1,049,154	255,721	1,304,875
Total assets and deferred outflows of resources	<u>19,324,121</u>	<u>7,980,583</u>	<u>27,304,704</u>
Liabilities			
Payables	23,455	193,862	217,317
Deposits	33,517	-	33,517
Noncurrent liabilities:			
Due within one year	456,077	207,176	663,253
Due in more than one year	6,950,725	5,103,129	12,053,854
Total liabilities	<u>7,463,774</u>	<u>5,504,167</u>	<u>12,967,941</u>
Deferred Inflows of Resources			
Deferred pensions	222,845	93,196	316,041
Total liabilities and deferred inflows of resources	<u>7,686,619</u>	<u>5,597,363</u>	<u>13,283,982</u>
Net Position			
Net investment in capital assets	6,192,973	559,417	6,752,390
Restricted	3,342,604	-	3,342,604
Unrestricted	2,101,925	1,823,806	3,925,731
Total net position	<u>\$ 11,637,502</u>	<u>\$ 2,383,223</u>	<u>\$ 14,020,725</u>

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Government-wide Financial Statements
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Operating Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 559,105	\$ 112,967	\$ -	\$ -	\$ (446,138)		\$ (446,138)
Community development	330,576	-	-	-	(330,576)		(330,576)
Public safety	2,294,106	150,097	96,117	-	(2,047,892)		(2,047,892)
Public works and streets	428,876	115,878	281,324	-	(31,674)		(31,674)
Library and arts	432,911	114,467	134,575	-	(183,869)		(183,869)
Parks and recreation	532,580	159,404	-	-	(373,176)		(373,176)
Depreciation expense	332,805	-	-	-	(332,805)		(332,805)
Interest expense	61,939	-	-	-	(61,939)		(61,939)
Total governmental activities	<u>4,972,898</u>	<u>652,813</u>	<u>512,016</u>	<u>-</u>	<u>(3,808,069)</u>		<u>(3,808,069)</u>
Business-type Activities							
Water	1,072,026	1,388,450	-	-		\$ 316,424	316,424
Sewer	871,415	1,037,258	-	-		165,843	165,843
Industrial sewer	32,148	44,780	-	-		12,632	12,632
Building inspection	117,012	216,478	-	-		99,466	99,466
Total business-type activities	<u>2,092,601</u>	<u>2,686,966</u>	<u>-</u>	<u>-</u>		<u>594,365</u>	<u>594,365</u>
Total primary government	<u>\$ 7,065,499</u>	<u>\$ 3,339,779</u>	<u>\$ 512,016</u>	<u>\$ -</u>	<u>(3,808,069)</u>	<u>594,365</u>	<u>(3,213,704)</u>
General Revenue							
Property taxes					798,633	-	798,633
Motor vehicle in-lieu					591,411	-	591,411
Sales tax					1,830,023	-	1,830,023
Franchise and TOT					188,215	-	188,215
Licenses, fees & fines					78,003	-	78,003
Use of money and property					55,711	1,005	56,716
Other revenue					514,914	(80,865)	434,049
Total general revenue					<u>4,056,910</u>	<u>(79,860)</u>	<u>3,977,050</u>
Change in Net Position					248,841	514,505	763,346
Net Position - beginning					11,388,661	1,868,718	13,257,379
Net Position - end of year					<u>\$ 11,637,502</u>	<u>\$ 2,383,223</u>	<u>\$ 14,020,725</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

CITY OF ORLAND
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Development Impact Fees	Other Governmental Funds	Totals
Assets				
Cash and investments	\$ 770,326	\$ 2,149,542	\$ 1,172,649	\$ 4,092,517
Receivables	521,913	-	93,063	614,976
Internal loans	133,528	-	-	133,528
Notes and interest receivable	-	-	6,432,652	6,432,652
Total assets	<u>\$ 1,425,767</u>	<u>\$ 2,149,542</u>	<u>\$ 7,698,364</u>	<u>\$ 11,273,673</u>
Liabilities				
Payables	\$ 23,455	\$ -	\$ -	\$ 23,455
Deposits	33,518	-	-	33,518
Deferred revenue	-	-	6,432,652	6,432,652
Internal loans	451,458	-	29,300	480,758
Total liabilities	<u>508,431</u>	<u>-</u>	<u>6,461,952</u>	<u>6,970,383</u>
Fund Balances				
Nonspendable	133,528	-	-	133,528
Restricted	33,517	2,149,542	1,159,545	3,342,604
Committed	163,616	-	-	163,616
Assigned	442,756	-	106,167	548,923
Unassigned	143,919	-	(29,300)	114,619
Total fund balances	<u>917,336</u>	<u>2,149,542</u>	<u>1,236,412</u>	<u>4,303,290</u>
Total liabilities and fund balances	<u>\$ 1,425,767</u>	<u>\$ 2,149,542</u>	<u>\$ 7,698,364</u>	<u>\$ 11,273,673</u>

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

**Amounts reported for governmental activities in the statement of net position
are different because of the following:**

Total fund balances - governmental funds (page 6)	\$ 4,303,290
(1) Capital asset acquisitions, dispositions and depreciation used in governmental activities are not financial resources and therefore, are not reported in the funds balance sheet.	7,482,053
(2) Deferred revenue related to long-term notes receivable is not due and payable in the current period, nor recognized as revenue in the government-wide financial statements.	6,432,652
(3) Long-term debt and obligations are not due and payable in the current period and therefore, are not reported in the governmental funds balance sheet.	(7,406,802)
(4) Deferred outflows of resources reported in the statement of net position.	1,049,154
(5) Deferred inflows of resources reported in the statement of net position.	(222,845)
Net position of governmental activities (page 4)	<u><u>\$ 11,637,502</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND

Statement of Revenue, Expenditures, and Change in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	General Fund	Development Impact Fees	Other Governmental Funds	Totals
Revenue				
Taxes and assessments	\$ 2,816,871	\$ -	\$ -	\$ 2,816,871
Licenses, fees and fines	78,003	-	-	78,003
Intergovernmental	733,964	-	377,441	1,111,405
Charge for services	191,396	361,401	100,017	652,814
Use of money and property	50,217	2,765	2,729	55,711
Other revenue	238,974	-	267,961	506,935
Total revenue	<u>4,109,425</u>	<u>364,166</u>	<u>748,148</u>	<u>5,221,739</u>
Expenditures				
Current:				
General government	600,778	-	14,590	615,368
Community development	185,256	-	192,725	377,981
Public safety	2,356,576	-	45,240	2,401,816
Public works and streets	717,680	-	301,508	1,019,188
Library and Arts	375,558	-	137,794	513,352
Parks and recreation	571,992	-	-	571,992
Capital expenditures	-	76,993	38,989	115,982
Total expenditures	<u>4,807,840</u>	<u>76,993</u>	<u>730,846</u>	<u>5,615,679</u>
Revenue over (under) Expenditures	(698,415)	287,173	17,302	(393,940)
Other Financing Sources (Uses)				
Proceeds from new financing	1,054,210	-	-	1,054,210
Total Other Sources (Uses)	<u>1,054,210</u>	<u>-</u>	<u>-</u>	<u>1,054,210</u>
Change in Fund Balances	355,795	287,173	17,302	660,270
Fund Balances - beginning	561,541	1,862,369	1,219,110	3,643,020
Fund Balances - end of year	<u>\$ 917,336</u>	<u>\$ 2,149,542</u>	<u>\$ 1,236,412</u>	<u>\$ 4,303,290</u>

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND

**Reconciliation of the Statement of Revenue, Expenditures, and Change in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017**

**Amounts reported for governmental activities in the statement of activities
are different because of the following:**

Change in fund balances - governmental funds (page 8)	\$ 660,270
(1) Capital assets:	
(a) The acquisition of capital assets uses current financial resources but has no effect on net position.	2,748,632
(b) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.	(332,805)
(2) Notes receivable:	
The increase or decrease in notes receivable affects current financial resources but has no effect on net position.	40,798
(3) Long-term debt and obligations:	
Payments against long-term liabilities and obligations use current resources in the funds financial statements but have no effect on the net position in the government-wide financial statements.	729,162
Proceeds from long-term debt liabilities and obligations provide current resources in the funds financial statements but have no effect on net position in government-wide financial statements.	(2,806,837)
(4) Deferred outflows and inflows of resources are not recognized in the current period and therefore not reported in the governmental funds.	(790,379)
Change in net position of governmental activities (page 5)	<u>\$ 248,841</u>

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Proprietary Funds
Statement of Net Position
June 30, 2017

	Business-type Activities				Total Enterprise Funds
Assets	Water	Sewer	Industrial Sewer	Building Official	
Current assets:					
Cash and investments	\$ 1,793,932	\$ 887,182	\$ 73,081	\$ -	\$ 2,754,195
Receivables	59,406	38,008	27,473	-	124,887
Internal loans	451,457	-	-	-	451,457
Prepaid expenses	24,475	12,662	-	-	37,137
Total current assets	2,329,270	937,852	100,554	-	3,367,676
Noncurrent assets:					
Capital assets not being depreciated	1,305,680	21,619	-	-	1,327,299
Capital assets, net of depreciation	1,086,871	1,914,274	125,456	7,513	3,134,114
Total noncurrent assets	2,392,551	1,935,893	125,456	7,513	4,461,413
Total assets	4,721,821	2,873,745	226,010	7,513	7,829,089
Deferred outflows of resources:					
Deferred pensions	127,861	127,860	-	-	255,721
Total assets and deferred outflows of resources	4,849,682	3,001,605	226,010	7,513	8,084,810
Liabilities					
Current liabilities:					
Payables	179,118	14,744	-	-	193,862
Internal loans	54,798	-	-	49,429	104,227
Total current liabilities	233,916	14,744	-	49,429	298,089
Noncurrent liabilities:					
State Water Resources Control Board	953,051	-	-	-	953,051
Bank loans	1,399,219	1,549,726	-	-	2,948,945
Net pension liability	576,598	576,599	-	-	1,153,197
Postemployment medical liability	53,221	53,222	-	-	106,443
Compensated absences	71,936	71,936	-	4,796	148,668
Total noncurrent liabilities	3,054,025	2,251,483	-	4,796	5,310,304
Total liabilities	3,287,941	2,266,227	-	54,225	5,608,393
Deferred inflows of resources:					
Deferred pensions	46,598	46,598	-	-	93,196
Total liabilities and deferred inflows of resources	3,334,539	2,312,825	-	54,225	5,701,589
Net Position					
Net investment in capital assets	40,280	386,167	125,456	7,513	559,416
Unrestricted	1,474,865	302,613	100,554	(54,225)	1,823,807
Total net position	\$ 1,515,145	\$ 688,780	\$ 226,010	\$ (46,712)	\$ 2,383,223

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Proprietary Funds
Statement of Revenue, Expenses, and Change in Net Position
Year Ended June 30, 2017

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Official	
Operating Revenue					
Charge for services	\$ 1,388,450	\$ 1,037,258	\$ 44,780	\$ 216,478	\$ 2,686,966
Total operating revenue	<u>1,388,450</u>	<u>1,037,258</u>	<u>44,780</u>	<u>216,478</u>	<u>2,686,966</u>
Operating Expenses					
Personnel costs	455,534	400,440	8,288	88,241	952,503
Maintenance and operations	442,116	344,792	1,642	28,771	817,321
Administrative allocation	120,856	86,708	7,503	-	215,067
Depreciation	53,520	39,475	14,715	-	107,710
Total operating expenditures	<u>1,072,026</u>	<u>871,415</u>	<u>32,148</u>	<u>117,012</u>	<u>2,092,601</u>
Operating Income (Loss)	<u>316,424</u>	<u>165,843</u>	<u>12,632</u>	<u>99,466</u>	<u>594,365</u>
Nonoperating Revenue (Expenses)					
Investment earnings (expense)	217	356	343	89	1,005
Other revenue (expenses)	(61,278)	(19,587)	-	-	(80,865)
Total nonoperating revenue (expenses)	<u>(61,061)</u>	<u>(19,231)</u>	<u>343</u>	<u>89</u>	<u>(79,860)</u>
Change in Net Position	255,363	146,612	12,975	99,555	514,505
Net Position - beginning	1,259,782	542,168	213,035	(146,267)	1,868,718
Net Position - end of year	<u>\$ 1,515,145</u>	<u>\$ 688,780</u>	<u>\$ 226,010</u>	<u>\$ (46,712)</u>	<u>\$ 2,383,223</u>

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2017

CASH FLOWS PROVIDED BY (USED FOR)

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Official	
Operating Activities					
Receipts from customers	\$ 1,363,309	\$ 1,020,253	\$ 29,836	\$ 216,478	\$ 2,629,876
Payments for maintenance and operations	(622,802)	(410,717)	(9,145)	(29,113)	(1,071,777)
Payments to employee compensation	(430,545)	(375,450)	(11,008)	(87,340)	(904,343)
Net cash provided (used)	309,962	234,086	9,683	100,025	653,756
Noncapital Financing Activities					
Internal loan proceeds (repayments)	35,872	-	-	(98,645)	(62,773)
Net cash provided (used)	35,872	-	-	(98,645)	(62,773)
Capital and Related Financing Activities					
Loan proceeds	1,949,857	1,550,018	-	-	3,499,875
Purchase of capital assets	(767,949)	(1,026,254)	-	-	(1,794,203)
Net cash provided (used)	1,181,908	523,764	-	-	1,705,672
Investing Activities					
Investment earnings / other revenue (expense)	(61,061)	(19,231)	343	89	(79,860)
Net cash provided (used)	(61,061)	(19,231)	343	89	(79,860)
Net Increase (Decrease) in Cash	1,466,681	738,619	10,026	1,469	2,216,795
Cash and Investments - beginning	327,251	148,563	63,055	(1,469)	537,400
Cash and Investments - end of year	\$ 1,793,932	\$ 887,182	\$ 73,081	\$ -	\$ 2,754,195
Operating Activities Analysis					
Operating Income (Loss) - page 11	\$ 316,424	\$ 165,843	\$ 12,632	\$ 99,466	\$ 594,365
Reconciliation adjustments:					
Depreciation, a noncash expense	53,520	39,475	-	-	92,995
(Increase) decrease in receivables	(25,141)	(17,005)	-	-	(42,146)
(Increase) decrease in prepaid expenses	12,237	6,331	-	-	18,568
Increase (decrease) in liabilities	(47,078)	39,442	(2,949)	559	(10,026)
Net cash provided (used)	\$ 309,962	\$ 234,086	\$ 9,683	\$ 100,025	\$ 653,756

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the City as follows:

- Note 1 - Defining the Financial Reporting Entity
- Note 2 - Significant Accounting Policies
- Note 3 - Stewardship, Compliance, and Accountability
- Note 4 - Risk Management
- Note 5 - Commitments and Contingencies
- Note 6 - Cash and Investments
- Note 7 - Capital Assets
- Note 8 - Receivables
- Note 9 - Payables
- Note 10 - Subsequent Events
- Note 11 - Long-term Obligations
- Note 12 - Interfund Transactions
- Note 13 - Postemployment Benefits Other Than Pensions
- Note 14 - Defined Benefit Pension Plan
- Note 15 - Future Accounting Pronouncements
- Note 16 - Fund Balance Designations Section of the Balance Sheet

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Note 1 - Defining the Financial Reporting Entity

The City of Orland (the City) was incorporated under the laws of the State of California. The City operates under a Council-Manager form of government. The City provides a full range of municipal services to its citizens including a public library, public safety, public works, planning and building regulation, recreation and parks, water and sewer services.

The financial statements of the City include those of separately administered organizations that are controlled by, or dependent on, the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying financial statements:

Orland Volunteer Fire Department

The Orland Volunteer Fire Department is included in these financial statements because the governing body exercises oversight responsibility, and the Orland Volunteer Fire Department is not fiscally independent of the City of Orland.

Although the component unit is legally separate from the City, it is reported on a blended basis as part of the primary government because its board consists of members of the City Council. The component unit does not issue separate financial statements but its operations are included as part of the City's general fund, which is reported in the City's annual financial report, which may be obtained from the City's finance director.

The City participates in a joint powers agency through a formally organized and separate entity agreement. The financial activities of the Golden State Risk Management Authority (GSRMA), a public entity risk pool, are not included in the accompanying financial statements because they are administered by a governing board which is separate from and independent of the City.

Note 2 - Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants as applicable to governments. The following is a summary of the more significant policies.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

particular function or segment. Taxes and other items not included among program revenue are reported instead as general revenue. Expenses reported for functional activities include allocated indirect expenses.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the City, or the government has determined that a fund is important to the financial statement user, or it meets the following criteria:

- Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.
- Total assets, liabilities, revenue, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Fund Types

Governmental funds are the funds through which most general government functions typically are financed. The City maintains the following fund types:

- General Fund - the general fund accounts for all unrestricted resources except those required to be accounted for in another fund.
- Special Revenue Funds - these funds are used to account for the proceeds of specific revenue resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- Debt Service Funds - these funds are used to account for the accumulation of resources for, and the repayment of general long-term debt obligation payments for principal, interest and related costs.
- Capital Projects Funds - these funds are used to account for financial resources to be used for the acquisition, improvements or construction of streets, infrastructure and major capital facilities.
- Proprietary Fund Types - proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The City's uses the following proprietary fund type:
 - (1) Enterprise Funds - these funds are established to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The water and sewer utilities and the building inspection department are reported as enterprise funds.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Major Funds

The following are the City's major funds this year:

- *General Fund* - this fund is used to account for the general operations of the City, and is used to account for all financial resources except those required to be accounted for in another fund.
- *Development Impact Fee Fund* - this fund is used to account for fees collected from builders and real estate developers for the impact of creating additional burdens and charges to various city departments for additional police, fire, parks, recreation, public works, streets, and administrative services as an end result of their projects.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The government-wide statement of net position and the statement of activities, and both governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an "economic resources" measurement focus. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position, and in the statement of activities, both governmental and business-like activities are presented using the "accrual basis of accounting." Under the accrual basis of accounting, revenue is recognized when earned, and expenses are recorded when the liability is incurred and the amount of obligation is ascertainable. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the "modified accrual basis of accounting." Under this modified accrual basis of accounting, revenue is recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenue which is susceptible to accrual includes property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Licenses, permits, fines, penalties, charges for services, and miscellaneous revenue are recorded as governmental fund type revenue when received in cash because they are not generally measurable until actually received. Revenue from taxpayer assessed taxes, such as sales taxes, are recognized in the accounting period in which they became both measurable and available to finance expenditures of the fiscal period. Grant revenue, which is normally reimbursements of expenses under contractual agreements, is recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt in the governmental funds, which is recognized when due.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Proprietary funds use the "accrual basis of accounting" which records the financial effect on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events and circumstances occur rather than only when cash is received or paid by the enterprise.

Budgetary Data

General Budget Policies: the City maintains budgetary controls of which the objective is to ensure compliance with legal provisions embodied in the annual budget approval by the City Council. Budgetary control for operations is maintained at the department level by individual funds. Budgetary control for capital improvement projects (i.e., project-length financial plans) is maintained at the individual project level by fund. The City's budgeted expenditure authority lapses at the end of each fiscal year. However, outstanding purchase order commitments or capital improvement projects may be re-appropriated for the subsequent fiscal year upon City Council approval.

Budget Basis of Accounting: budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America as prescribed by the GASB and the AICPA. The Budgetary Comparison Schedule of the general fund presents comparisons of legally adopted budget amounts (both the original budget and final budget), and actual amounts, on the budgetary basis. The budgeting basis is substantially equivalent to the City's accounting basis; thus no reconciliation between the two is considered necessary.

Other Accounting Policies

Cash and Investments

Cash and investments held in the City's investment pool are reported as cash and investments since "funds" can spend cash at any time without prior notice or penalty. All investments with fiscal agents are also considered cash equivalents if they are liquid. Investments are stated at fair value.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments either: (1) with a maturity of three months or less when purchased to be cash equivalents or (2) collected within sixty days of the fiscal year end. Cash and cash equivalents are reported under the caption "cash and investments" on the statement of net position and balance sheet.

Receivables and Payables

Property, sales, use, utility users, transient occupancy, and gasoline taxes related to the current fiscal year are accrued as revenue and accounts receivable, and considered available if received within 60 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net position. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. The City considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur.

Balances representing lending/borrowing transactions between funds outstanding at fiscal year end are reported as internal loans and consist of either (1) "due to/from other funds" (amounts due within one year), (2) "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or (3) "loans to/from other funds" (long-term lending/borrowing transactions as evidenced by loan agreements).

Grants, entitlements or shared revenue are recorded as receivables and revenue in the general and special revenue funds when they are received or susceptible to accrual.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Allowance for Uncollectible Accounts

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Prepaid Expenses

The purchase of materials and supplies in the water and sewer enterprise funds that have not been consumed as of year end are recorded as prepaid expenses, and are charged to expenses when consumed.

Notes Receivable - Economic and Community Development Loans

The majority of these loans consist of deferred repayment loans under the City's housing and economic development programs. These programs were funded from government grant awards to the City, which were reported as grant revenue in the year received, and expenditures in the year the loans were made. A deferred loan is required to be repaid in full when the secured property is sold or transferred. Prior to the sale or transfer, loan payments are generally not required. Principal and interest payments which are receivable at year end are offset by an equal amount of deferred revenue. Such payments are recognized as program revenue when received.

Capital Assets

Capital assets used in governmental fund type operations are accounted for on the statement of net position. Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, such as roads, sidewalks and bridges are capitalized prospectively starting July 1, 2003 in accordance with GASB Statement No. 34. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Capital outlay is recorded as *expenditures* of the general and special revenue funds, and as *capital assets* in the government-wide financial statements to the extent the City's capitalization threshold is met. Donated assets are recorded at estimated fair value at the date of donation.

Property, plant and equipment acquired for proprietary funds are capitalized in the respective fund to which it applies and are stated at their historic cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets which range from 5 to 20 years for equipment, machinery and vehicles, and 20 to 50 years for buildings, improvements, and infrastructure. Land, art and treasures, are not considered exhaustible, therefore are not being depreciated.

Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Deferred Revenue

The City reports deferred revenue on its governmental funds balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation and sick leave. The City's method of calculating the liability is in accordance with GASB Statement No. 16, except that additional accruals for salary-related payments associated with the payment of compensated absences, for example, the employer's share of pension contributions or social security and medicare taxes have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole. The City accrues a liability for compensated absences which meet the following criteria:

- The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported as liabilities in the applicable column on the statement of net position. For the most part, 75% of compensated absences are generally considered due after one year.

Net Position and Fund Balances

In the Statement of Net Position, the City's net position is classified in the following categories:

- *Net investment in capital assets* - represents the City's total investment in capital assets reduced by any outstanding debt used to acquire those assets.
- *Restricted net position* - includes resources that the City is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- *Unrestricted net position* - represents resources derived from sources without spending restrictions, are used for transactions relating the general operations of the City, and may be used at the discretion of those charged with governance to meet current expenses or obligations for any purpose.

Fund Balance designations are classified on the governmental funds balance sheet as follows:

- Nonspendable - amounts that cannot be spent because they are either (a) legally or contractually required to be maintained intact or (b), not in spendable form such as long-term notes and accrued interest receivable.
- Restricted - amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - amounts that can be used only for the *specific purposes* determined by a formal action of the City Council, to establish, modify or rescind a fund balance commitment.
- Assigned - amounts that are constrained by the government's *intent* to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, as determined by a formal action or policy of the City Council or its appointed official.
- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Pensions

In the government-wide financial statements, retirement plan pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting. In general, the City recognizes a net pension liability, which represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees Retirement System (CalPERS). The net pension liability is measured as of the City's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the City's pension plan with CalPERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value. Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Property Tax Revenue

Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

- *Property Valuations* - are established by the Glenn County Assessor for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII-A of the State Constitution (Proposition 13, approved by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.
- *Tax Levies* - are limited to 1% of full assessed value which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.
- *Tax Levy Dates* - are attached annually on January 1, proceeding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.
- *Tax Collections* - are the responsibility of the county's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments. The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against property unless the taxes become delinquent.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments. The City has elected to receive the City's portion of the property taxes from the county under the State's Teeter Plan program. Under this program, the City receives 100% of the City's share of the levied property taxes in periodic payments with the county assuming responsibility for the delinquencies.

- *Tax Levy Apportionments* - due to the nature of the City-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county's auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three fiscal years prior to fiscal year 1979.
- *Property Tax Administration Fees* - the State of California FY 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes.

Revenue and Expenditures

Substantially all governmental fund revenue is accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue. In applying GASB Statement No. 33 to grant revenue, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Grant resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Operating income in proprietary fund financial statements includes revenue and expenses related to the primary continuing operations of the fund. Principal operating revenue for proprietary funds is charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as nonoperating in the financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed. Expenditures are recognized when the related fund liability is incurred.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

The City follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at normally scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is adopted through the passage of a resolution.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager may authorize transfers from one object or purpose to another within the same department, and between departments within the General Fund. All appropriations lapse at year end.

Economic Dependence

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

The City received 77% of its total general fund revenue from three sources; sales taxes (44%), property taxes (19%), and motor vehicle in-lieu state revenue (14%). Any reduction in assessed property values or disruption to the overall economy could affect the City's primary operating fund. In the event of such a downturn, the City may have insufficient resources in its general fund to pay all of its obligations or provide services to its citizens at the current level.

Revenue Limitations Imposed By California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

Deficit Fund Balances

Due to the City incurring costs in advance of receiving grant awards and reimbursements, revenue which it expects to recover in the future from developer impact fees, and other sources, the following funds incurred deficits in their ending fund balances:

STIP Papst Street	\$ 1,782
StreetScapes	27,518
	<u>\$ 29,300</u>

Note 4 - Risk Management

The City is exposed to various risks of loss related to torts, thefts, damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a member of the Golden State Risk Management Authority (GSRMA, the Authority), a public entity risk pool currently operating as a common risk management and insurance program for 170 member cities, counties and districts. The relationship between the City and GSRMA is such that the Authority is not a component unit of the City for financial reporting purposes. GSRMA is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. Financial statements of the Authority may be obtained from GSRMA, Post Office Box 706, Willows, California 95988.

Note 5 - Commitments and Contingencies

In the normal course of municipal operations, there are various legal claims and legal actions pending against the City for which no provision has been made in the financial statements because the amount of liability, if any, is unknown. In the opinion of City management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements. The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material. At June 30, 2017, the City was in contract for several funded construction projects, which are expected to be completed in fiscal year 2017-18.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Note 6 - Cash and Investments

The City follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents or trustees, under the provisions of bond covenants. Cash and investments at fiscal year end are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 6,846,712
Cash and Investments consist of the following:	
Deposits with financial institutions:	
Checking accounts	\$ 3,212,767
Money market mutual funds	3,246,201
Fixed income: certificates of deposit	251,645
Mutual funds: US government obligations, bonds	130,542
Investment with Local Agency Investment Fund	5,557
	<u>\$ 6,846,712</u>

Collateral and Categorization Requirements

At fiscal year end, the City's carrying amount of demand deposits was \$6,710,288 and the financial institution's account balances were \$6,857,299. The difference of \$147,011 represented outstanding checks and deposits in transit. Of the total demand deposit balances, \$750,000 was insured by the Federal Depository Insurance Corporation (FDIC) and \$5,960,288 was collateralized in accordance with California Government Code Section 53600 – 53609.

Investment Policy

The table below identifies the investment types that are authorized under provisions of the City's investment policy adopted September 7, 2005, and in accordance with Section 53601 of the California Government Code. The table also identifies certain provisions of the investment policy that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Rating</u>
Certificates of Deposit	5 years	None	None	None
Negotiable Certificates of Deposit	5 years	30%	None	None
Local Agency Investment Fund	N/A	None	\$5m	None
Passbook Savings	N/A	None	None	None
U.S. Government Securities	5 years	None	None	None
U.S. Treasury Securities	5 years	None	None	None
Bankers Acceptances	270 days	40%	None	None
Commercial Paper	180 days	30%	None	None
Medium Term Notes	5 years	30%	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Orland manages its exposure to interest rate risk is by investing in due-on-demand and short-term investments which provide cash flow and liquidity needed for operations.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy limits credit risk by requiring compliance with the California Government Code for investment of public funds, as described in detail above.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any single issuer beyond that stipulated by the California government code. Investments in any one issuer that represent 5% or more of total investments at fiscal year-end are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Demand deposit - checking	\$ 3,212,767	on demand	n/a	47%
Money market mutual funds	2,572,360	on demand	0.35%	37%
MetLife Securities:				
money market funds	673,841	on demand	0.01%	10%
certificates of deposit	251,645	2.75 months	3.95%	4%
mutual bond funds	130,542	on demand	2.60%	2%

Custodial Credit Risk

The credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California government code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: "The California government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits."

The credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California government code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Participation in an External Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the California State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. LAIF is part of the Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits. As of June 30, 2017, PMIA had approximately \$77.6 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at www.treasurer.ca.gov. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 7 - Capital Assets

Governmental-type capital asset activity for the year consists of the following:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 306,681	\$ -	\$ -	\$ 306,681
Deposit - fire truck purchase	220,000	655,090	(875,090)	-
Construction-in-progress	474,975	162,368	(503,509)	133,834
	<u>1,001,656</u>	<u>817,458</u>	<u>(1,378,599)</u>	<u>440,515</u>
<u>Depreciable Assets:</u>				
Buildings and infrastructure	6,297,997	503,509	-	6,801,506
Vehicles and equipment	1,415,218	1,452,516	-	2,867,734
	7,713,215	1,956,025	-	9,669,240
<u>Accumulated Depreciation</u>	<u>(2,294,897)</u>	<u>(332,805)</u>	<u>-</u>	<u>(2,627,702)</u>
Depreciable assets, net	<u>5,418,318</u>	<u>1,623,220</u>	<u>-</u>	<u>7,041,538</u>
Total capital assets, net	<u>\$ 6,419,974</u>	<u>\$ 2,440,678</u>	<u>\$ (1,378,599)</u>	<u>\$ 7,482,053</u>

Business-type capital asset activity for the year was as follows:

WATER UTILITY FUND	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ -	\$ -	\$ -	\$ -
Construction-in-progress	550,550	755,130	-	1,305,680
	<u>550,550</u>	<u>755,130</u>	<u>-</u>	<u>1,305,680</u>
<u>Depreciable Assets:</u>				
System infrastructure, improvements & equipment	2,575,960	116,554	-	2,692,514
<u>Accumulated Depreciation</u>	<u>(1,552,123)</u>	<u>(53,520)</u>	<u>-</u>	<u>(1,605,643)</u>
Depreciable assets, net	<u>1,023,837</u>	<u>63,034</u>	<u>-</u>	<u>1,086,871</u>
Total capital assets, net	<u>\$ 1,574,387</u>	<u>\$ 818,164</u>	<u>\$ -</u>	<u>\$ 2,392,551</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

SEWER UTILITY FUND

	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u>Non-depreciable Assets:</u>				
Land	\$ 8,580	\$ -	\$ -	\$ 8,580
Construction-in-progress	-	13,039	-	13,039
	<u>8,580</u>	<u>13,039</u>	<u>-</u>	<u>21,619</u>
<u>Depreciable Assets:</u>				
System infrastructure, improvements & equipment	1,718,607	1,013,215	-	2,731,822
<u>Accumulated Depreciation</u>	<u>(778,073)</u>	<u>(39,475)</u>	<u>-</u>	<u>(817,548)</u>
Depreciable assets, net	<u>940,534</u>	<u>973,740</u>	<u>-</u>	<u>1,914,274</u>
Total capital assets, net	<u>\$ 949,114</u>	<u>\$ 986,779</u>	<u>\$ -</u>	<u>\$ 1,935,893</u>

INDUSTRIAL SEWER UTILITY

	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u>Depreciable Assets:</u>				
System infrastructure, improvements & equipment	\$ 588,444	\$ -	\$ -	\$ 588,444
<u>Accumulated Depreciation</u>	<u>(448,273)</u>	<u>(14,715)</u>	<u>-</u>	<u>(462,988)</u>
Total capital assets, net	<u>\$ 140,171</u>	<u>\$ (14,715)</u>	<u>\$ -</u>	<u>\$ 125,456</u>

BUILDING OFFICIAL FUND

	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u>Depreciable Assets:</u>				
Vehicles and equipment	\$ 16,934	\$ -	\$ -	\$ 16,934
<u>Accumulated Depreciation</u>	<u>(9,421)</u>	<u>-</u>	<u>-</u>	<u>(9,421)</u>
Total capital assets, net	<u>\$ 7,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,513</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Note 8 - Receivables

Accounts and other receivables as reported in the statement of net position consist of the following:

Governmental Activities:	
Sales taxes	\$ 269,600
Sales tax - Measure A	163,616
Intergovernmental	112,148
Property taxes	41,855
Transient occupancy taxes	16,239
Franchise fees	11,517
	<u>\$ 614,975</u>
Business-type Activities:	
Water utility customers	59,406
Sewer utility customers	65,481
	<u>\$ 124,887</u>

Notes receivable and accrued interest in the amount of \$6,432,652 consist of deferred repayment loans provided under the City housing and economic development department's affordable housing purchase and rehabilitation grant award programs. The loans are collateralized by deeds of trust on the purchased or improved properties. Repayment terms vary from 15 to 30 years. Some of the loans provide for accrued interest forgiveness under pre-determined contract guidelines.

Note 9 - Payables

Accounts payable, as reported in the statement of net position, are comprised of the following:

<u>Governmental Activities</u>	
PG&E	\$ 4,826
Board of Equalization	6,648
Planning consultants	8,741
Other vendors	3,240
	<u>\$ 23,455</u>
<u>Business-type Activities:</u>	
Water utility vendors	\$ 115,089
Water well construction	64,029
Sewer utility vendors	14,744
	<u>\$ 193,862</u>

Note 10 - Subsequent Events

The management of the City has reviewed the results of operations for the period from its year end June 30, 2017 through January 8, 2018, the date the financial statements were available to be issued in "draft" form, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Note 11 - Long-term Obligations

The following summarizes changes in long-term obligations and commitments for the year:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Land purchase loan	\$ 113,002	\$ -	\$ (8,145)	\$ 104,857	\$ 8,145
Truck loan	92,977	-	(13,776)	79,201	13,776
Fire engine loan	-	615,816	-	615,816	58,912
Equipment & vehicle loan	-	489,206	-	489,206	12,943
Solar equipment loan	-	425,268	-	425,268	26,358
Energy equipment loan	-	164,540	-	164,540	2,399
Pension obligation bonds	1,378,500	-	(270,800)	1,107,700	270,800
Net pension liability	2,939,022	910,998	-	3,850,020	-
Net OPEB obligation	319,219	-	-	319,219	-
Compensated absences	203,871	47,104	-	250,975	62,744
	<u>\$ 5,046,591</u>	<u>\$ 2,652,932</u>	<u>\$(292,721)</u>	<u>\$ 7,406,802</u>	<u>\$ 456,077</u>

BUSINESS-TYPE ACTIVITIES

Water Fund

State loan - water well	\$ 402,413	\$ 550,638	\$ -	\$ 953,051	\$ -
Equipment & vehicle loan	-	116,555	-	116,555	3,091
Solar equipment loan	-	598,525	-	598,525	37,097
Energy equipment loan	-	684,140	-	684,140	9,973

Sewer Fund

Equipment loan	-	854,101	-	854,101	82,144
Equipment & vehicle loan	-	127,032	-	127,032	3,284
Solar equipment loan	-	551,273	-	551,273	34,168
Energy equipment loan	-	17,320	-	17,320	252

Net pension liability	979,674	173,523	-	1,153,197	-
Net OPEB obligation	106,443	-	-	106,443	-
Compensated absences	123,484	27,904	(2,720)	148,668	37,167
	<u>\$ 1,612,014</u>	<u>\$ 3,701,011</u>	<u>\$ (2,720)</u>	<u>\$ 5,310,305</u>	<u>\$ 207,176</u>

Land Purchase Loan

Real estate purchase financing agreement dated March 24, 2016 for the purchase of land, at a cost of \$115,000, secured by subject property. The property is currently being used as a public parking lot. Repayment of principal and interest is amortized over 144 months beginning April 24, 2016 with interest at 3% per annum.

Future payment requirements consist of the following:

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Year Ending June 30,	Principal	Interest	Total
2018	\$ 8,145	\$ 3,278	\$ 11,423
2019	8,778	2,645	11,423
2020	9,045	2,378	11,423
2021	9,320	2,103	11,423
2022	9,749	1,674	11,423
2023-2027	50,984	5,761	56,745
2028	8,836	106	8,942
	<u>\$ 104,857</u>	<u>\$ 17,945</u>	<u>\$ 122,802</u>

Truck Loan

Lease-Purchase agreement dated April 13, 2015 for the purchase of a 2015 Ford F550 truck and bucket attachment for a total price of \$105,481, secured by subject vehicle. Repayment of principal and interest is amortized over 84 months beginning August 1, 2015 with interest at 3% per annum.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 13,776	\$ 3,468	\$ 17,244
2019	14,940	2,304	17,244
2020	15,528	1,716	17,244
2021	16,188	1,056	17,244
2022	18,769	-	18,769
	<u>\$ 79,201</u>	<u>\$ 8,544</u>	<u>\$ 87,745</u>

Fire Engine Loan

Lease-Purchase agreement dated March 20, 2016 for the purchase of a 2016 Pierce 107' Aerial Truck for a total price of \$855,757, secured by subject vehicle. Repayment of principal and interest is amortized over 10 years beginning March 10, 2017 with interest at 3% per annum.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 58,912	\$ 17,785	\$ 76,697
2019	60,664	16,033	76,697
2020	62,469	14,228	76,697
2021	64,328	12,369	76,697
2022	66,241	10,456	76,697
2023-2026	303,202	3,586	306,788
	<u>\$ 615,816</u>	<u>\$ 74,457</u>	<u>\$ 690,273</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Pension Obligation Bonds

In 2012, the City issued \$2,308,200 in taxable bonds to refund an obligation to the California Public Employees Retirement System (CalPERS), in an effort to reduce its interest rate from 7.5% to a blended rate of 4.15%, which will provide an estimated total savings of \$178,000 over a 10 year period. Principal and interest payments are semi-annual. The bonds are secured by a pledge of general fund revenue.

Future bond payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 270,800	\$ 44,017	\$ 314,817
2019	319,200	30,403	349,603
2020	151,300	20,130	171,430
2021	164,200	13,332	177,532
2022	202,200	4,519	206,719
	\$ 1,107,700	\$ 112,401	\$ 1,220,101

Compensated Absences

City employees accumulate earned but unused vacation benefits. No expenditure is reported for these accrued amounts in the governmental funds financial statements. However, in the statement of activities the expenditure is allocated to each function based on usage. Vested compensated absences, payable in accordance with various collective bargaining agreements at year end, were reported in the statement of net position in the amount of \$250,975 for governmental activities, and \$148,668 for business-type activities.

State Water Resources Control Board

Construction financing agreement dated March 2015 for a new water well, in an amount not to exceed \$1,160,268, unsecured. Repayment of principal is amortized over 30 years, with a zero interest rate. Principal payments will begin within one year of completion of the well, and are estimated at \$39,000 per year.

Sewer Plant Equipment Loan

Lease-Purchase agreement dated September 1, 2017 for the purchase of sewer pond equipment for a total price of \$854,101. Repayment of principal and interest is amortized over 84 months beginning October 1, 2017 with interest at 3% per annum.

Future payment requirements consist of the following:

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Year Ending June 30,	Principal	Interest	Total
2018	\$ 82,144	\$ 55,074	\$ 137,218
2019	112,816	24,402	137,218
2020	116,697	20,521	137,218
2021	120,712	16,506	137,218
2022	124,862	12,356	137,218
2023-2025	296,870	11,870	308,740
	<u>\$ 854,101</u>	<u>\$ 140,729</u>	<u>\$ 994,830</u>

Equipment Loan

Lease-Purchase agreement dated September 27, 2016 for the purchase of trucks, excavator/cats, asphalt equipment, and street sweeper for a total price of \$732,791. Repayment of principal and interest is amortized over 60 months beginning October 1, 2017 with interest at 3% per annum.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 101,381	\$ 59,551	\$ 160,932
2019	139,672	21,260	160,932
2020	144,992	15,940	160,932
2021	150,515	10,417	160,932
2022	156,248	4,684	160,932
2023	39,983	249	40,232
	<u>\$ 732,791</u>	<u>\$ 112,101</u>	<u>\$ 844,892</u>

Solar Equipment Loan

Lease-Purchase agreement dated June 20, 2017 for the purchase and installation of solar energy equipment. Repayment of principal and interest is amortized over 15 years beginning June 1, 2018 with a net effective interest rate of 1.8% per annum after the Clean Renewable Energy Bonds (CREB) Federal subsidy.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 40,574	\$ 59,555	\$ 100,129
2019	97,623	61,916	159,539
2020	98,779	57,902	156,681
2021	99,950	53,840	153,790
2022	101,134	49,730	150,864
2023-2027	523,920	185,276	709,196
2028-2032	613,086	76,149	689,235
	<u>\$ 1,575,066</u>	<u>\$ 544,368</u>	<u>\$ 2,119,434</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Energy Equipment Loan

Lease-Purchase agreement dated April 1, 2017 for the purchase and installation of energy efficiency upgrades and equipment. Repayment of principal and interest is amortized over 15 years beginning April 1, 2018 with interest at 3% per annum.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 12,624	\$ 26,782	\$ 39,406
2019	47,904	24,908	72,812
2020	49,332	23,480	72,812
2021	50,803	22,009	72,812
2022	52,318	20,494	72,812
2023-2027	285,946	78,115	364,061
2028-2032	367,073	33,394	400,467
	<u>\$ 866,000</u>	<u>\$ 229,182</u>	<u>\$ 1,095,182</u>

Note 12 - Interfund Transactions

The following summarizes internal loans. During the year, several funds did not have adequate cash for operations; consequently other funds were able to provide short-term loans for working capital requirements. These balances have been eliminated in the government-wide statements and are expected to be repaid within the next fiscal year, except as noted below.

<u>Due from Other Funds / Receivables</u>	
General fund	\$ 133,528
Water fund	451,457
	<u>\$ 584,985</u>
 <u>Due to Other Funds / Payables</u>	
General fund	\$ 451,457
Water fund	54,798
Building inspection fund	49,429
Nonmajor grant funds	29,301
	<u>\$ 584,985</u>

In 2005, the City Council authorized by Resolution, a \$436,122 loan from the water enterprise fund to the general fund to provide for the purchase of real estate for development of a facility to be used for public safety services. The loan accrues interest at the Local Agency Investment Fund (LAIF) rate. Repayment of the loan is scheduled over a 30-year period to the extent that the general fund has available resources, and may be deferred. At year end the outstanding balance, including interest was \$451,457.

Note 13 - Postemployment Benefits Other Than Pensions

Plan Description

Upon completion of twenty years of City of Orland service, and upon retiring from City service, Non-safety

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

employees who were regular full-time employees as of July 1, 2013, shall be eligible to receive a contribution of 1% for each year of City service applied toward the cost of the employee-only medical premium if the employee is covered by employee-only insurance at the time of retirement, or applied to the cost of the employee-plus-one-dependent premium if the employee and his or her dependent are covered by the City's medical insurance at the time of retirement. This benefit expires when the employee/retiree qualifies for Medicare. If the dependent becomes Medicare eligible prior to the retiree, the contribution shall be applied to the cost of the employee-only premium. There were six retirees when the City had CalPERS medical insurance which guaranteed a monthly benefit of \$108 for life.

Funding Policy

The City Council did not fund the OPEB plan in the current fiscal year, and reviews its funding requirements and policy on an annual basis.

Annual OPEB Cost and Net OPEB Obligation

Annual cost/expense of the Other Postemployment Benefit (OPEB) plan is calculated based on the annual required contribution (ARC) of the employer. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$ 25,239
Interest on the net OPEB obligation	535
Adjustment to the Annual Required Contribution	(829)
Annual OPEB cost	24,945
Payments made	(18,593)
Increase in net OPEB obligation	6,352
Net OPEB obligation - beginning of year	26,735
Net OPEB obligation - end of year	<u>\$ 33,087</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current fiscal year was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 23,437	\$ 15,485	66%	\$ 18,860
June 30, 2015	\$ 23,360	\$ 15,485	66%	\$ 26,735
June 30, 2016	\$ 24,945	\$ 18,593	75%	\$ 33,087

Funding Status and Funding Progress

As of July 1, 2015, the actuarial accrued liability (AAL) for benefits was \$425,662, all of which is unfunded. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

the future. The schedule of funding progress presents multiyear trend information, when available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Mortality – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate – Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. The ultimate trend rate was 4.0%.

Health insurance premiums – 2015 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

Medicare Coordination – Medicare was assumed as the primary payer for current and future retirees at age 65.

Payroll increase – Changes in the payroll for current employees are expected to increase at a rate of approximately 2.5% annually.

Discount rate – The calculation uses an annual discount rate of 2%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method – The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis over 30 years.

Plan for Funding

On an ongoing basis, the City will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Note 14 - Defined Benefit Pension Plan

A. General Information about the Plan

Plan Description

The City provides pension benefits to eligible employees through a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information, that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50-55 with statutorily reduced benefits. Death benefits are the pre-retirement Optional Settlement 2W Death Benefit, and the post-retirement death benefit lump sum. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law.

The Plan's provisions and benefits are summarized as follows:

	Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2.7% @ 62
Benefit vesting schedule	5 years svc	5 year svc
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.7%	2.7%
Required employee contribution rates	6.891%	7.949%
Required employer contribution rates	10.781%	11.008%

	Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years svc	5 year svc
Benefit payments	monthly for life	monthly for life
Retirement age	55	57
Monthly benefits, as a % of eligible compensation	3.0%	2.7%
Required employee contribution rates	8.980%	11.500%
Required employer contribution rates	20.774%	18.428%

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Contributions

The City makes contributions required as the employer. Employee members are required to make contributions of their annual covered salary in an amount depending upon date of hire. The contribution requirements of the plan are established and may be amended by CalPERS. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2017, employer pension plan contributions were \$467,497.

B. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported a net pension liability for its Proportionate Share of the Net Pension Liability of the CalPERS Public Agency Cost-Sharing Plan as follows:

Total pension liability	\$ 18,999,588
Fiduciary net position	13,996,371
Net pension liability	5,003,217

The City's net pension liability of its Plan with CalPERS is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability as of June 30, 2016, the measurement date, was 0.05782%. For the year ended June 30, 2017, the City recognized pension expense of \$611,091.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,431
Changes of assumptions	-	135,259
Differences between projected and actual investment earnings	686,665	-
Change in employer's proportion	150,713	3,370
Differences between employer's share of contributions	-	169,981
Pension contributions subsequent to the measurement date	467,497	-
	<u>\$ 1,304,875</u>	<u>\$ 316,041</u>

Recognition of Deferred Outflows and (Inflows) of Resources in Future Pension Expense is as follows:

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Year Ended June 30,	
2018	\$ (5,567)
2019	34,632
2020	314,032
2021	178,238

C. Actuarial Assumptions

The total pension liability for this plan's actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.2% - 15.0% (1)
Investment Rate of Return	7.5% (2)

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment expenses, including inflation

D. Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is gross of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return net of administrative expenses would be 7.50 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

2017-18 fiscal year and will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each asset class. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses. The asset allocation has an expected long-term blended rate of return of 7.5 percent.

Asset Class	New Strategic Allocation
Global Equity	51.00%
Global Fixed Income	20.00%
Inflation Sensitive Assets	6.00%
Private Equity	10.00%
Real Assets	12.00%
Other	0.00%
Liquid Assets	1.00%
	100.00%

E. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the unfunded net pension liability calculated using the discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate -1% 6.65%	Current Discount Rate 7.65%	Discount Rate +1% 8.65%
Net Pension Liability	\$ 7,569,341	\$ 5,003,217	\$ 2,887,989

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Note 15 - Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has released the following new pronouncements, which can be read in their entirety at <http://www.gasb.org>.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Effective Date: The requirements of this Statement are effective for periods beginning after June 15, 2017. This Statement sets new reporting requirements for government employer OPEB plans, whether or not funded, and replaces GASB 45. Because it follows Statement 68 (the new pension accounting standard) very closely, the required calculations and terms may be familiar.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. (Issued 11/16)

GASB Statement No. 84, *Fiduciary Activities*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. (Issued 01/17)

GASB Statement No. 85, *Omnibus 2017*

Effective Date: The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. (Issued 03/17)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. (Issued 05/17)

GASB Statement No. 87, *Leases*

Effective Date: For reporting periods beginning after December 15, 2019. (Issued 06/17)

CITY OF ORLAND
Notes to Financial Statements
June 30, 2017

Note 16 - Fund Balance Designations Section of the Balance Sheet

Fund Balances	General Fund	Development Impact Fees Fund	Nonmajor Governmental Funds	Total
Nonspendable:	<u>\$ 133,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,528</u>
Restricted for:				
DIF capital expenditures	-	2,149,542	-	2,149,542
Deposits	33,517	-	-	33,517
CA BSCC grant	-	-	5,528	5,528
Gas tax - streets/sidewalks	-	-	117,335	117,335
Transportation tax - streets	-	-	10,296	10,296
Assessment Districts maintenance	-	-	520,769	520,769
Library remodel/book purchases	-	-	101,390	101,390
Public safety grant funds	-	-	87,735	87,735
CDBG - program reuse funds	-	-	316,492	316,492
Total restricted fund balances	<u>33,517</u>	<u>2,149,542</u>	<u>1,159,545</u>	<u>3,342,604</u>
Committed to:				
Measure A Public Safety Capital Projects	163,616	-	-	163,616
Total committed fund balances	<u>163,616</u>	<u>-</u>	<u>-</u>	<u>163,616</u>
Assigned to:				
Community Center	-	-	1,317	1,317
Downtown signs	-	-	1,502	1,502
Arts Commission	-	-	88,174	88,174
Nomlaki Donation	-	-	627	627
Safety program	-	-	14,547	14,547
Lender funded equipment purchases	442,756	-	-	442,756
Total assigned fund balances	<u>442,756</u>	<u>-</u>	<u>106,167</u>	<u>548,923</u>
Unassigned	<u>143,919</u>	<u>-</u>	<u>(29,300)</u>	<u>114,619</u>
Total Fund Balances	<u>\$ 917,336</u>	<u>\$ 2,149,542</u>	<u>\$ 1,236,412</u>	<u>\$ 4,303,290</u>

REQUIRED SUPPLEMENTARY INFORMATION

(unaudited)

CITY OF ORLAND
Required Supplementary Information
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (unaudited)
As of June 30, 2017

Schedule of Proportionate Share of the Net Pension Liability

The proportion (percentage) of the collective net pension liability represents the City's share of both cost-sharing plan assets (the miscellaneous and safety plans) offset against the actuarial determined collective pension liability.

The proportionate share (dollar amount) of the collective net pension liability represents the City's share of both cost-sharing plan assets offset against the actuarial determined collective pension liability.

The employer's covered-employee payroll represents the payroll of employees that are provided with pensions through the applicable miscellaneous or safety pension plan.

Schedule of Contributions

The employer's contributions to the plans are actuarially determined or based on statutory or contractual requirements which comprise the following: (1) the agent employer's actuarially determined contribution to the pension plan (its statutorily/contractually required contribution), (2) the employer's actual contributions, the difference between the actual and actuarially determined contributions (its statutorily/contractually required contributions), and (3) a ratio of the actual contributions divided by covered-employee payroll.

CITY OF ORLAND
Required Supplementary Information
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (unaudited)
Last 3 Fiscal Years

Schedule of the City's Proportionate Share of the City's Net Pension Liability	2017	2016	2015
City's proportion of the net pension liability	0.0578%	0.0571%	0.0510%
City's proportionate share of the net pension liability	\$ 5,003,217	\$ 3,918,696	\$ 3,151,345
City's covered-employee payroll *	\$ 1,740,811	\$ 1,851,123	\$ 1,798,556
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	287%	212%	175%
Plan fiduciary net position as a percentage of the total pension liability	74%	78%	82%

* for the fiscal year ending on the measurement date

Schedule of the City's Contributions

Actuarially determined contribution	\$ 467,307	\$ 413,224	\$ 294,491
Contributions in relation to the contractually actuarially determined contribution	<u>467,497</u>	<u>413,224</u>	<u>294,491</u>
Contribution deficiency (excess)	<u>\$ (190)</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll **	\$ 1,984,314	\$ 1,740,811	\$ 1,851,123
Contributions as a percentage of covered-employee payroll	23.56%	23.74%	15.91%

* for the fiscal year ending on the date shown

CITY OF ORLAND
Required Supplementary Information
Schedule of Funding Progress (unaudited)
Other Postemployment Benefits Plan
As of June 30, 2017

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend information from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a-b)/c]
June 30, 2013	\$ 353,109	\$ -	\$ 353,109	0%	\$ 1,006,895	35.1%
June 30, 2016	\$ 425,772	\$ -	\$ 425,662	0%	\$ 773,766	55.0%

CITY OF ORLAND
Required Supplementary Information
Budgetary Comparison Schedule (unaudited)
Year Ended June 30, 2017

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the close of each fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenue and expenditures.
- Public hearings are conducted at City Council meetings to obtain taxpayer comments prior to adoption of the budget in June.
- Prior to July 1, the budget is legally adopted for all governmental fund types through Council approved budget.
- The City Manager is authorized to transfer budget amounts within and between funds as deemed desirable and necessary in order to meet the City's needs; however, revisions that alter the total expenditures must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for the governmental type funds.
- Budgets for the governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted and as further amended by the City Council.

CITY OF ORLAND
Required Supplementary Information
Budgetary Comparison Information (unaudited)
General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
<i>Resources (Inflows)</i>	Original	Final	Amounts	Positive (Negative)
Property taxes	\$ 908,002	\$ 908,002	\$ 798,633	\$ (109,369)
Sales taxes	1,766,961	1,766,961	1,673,055	(93,906)
Sales taxes - Measure A	-	-	156,968	156,968
Motor vehicle in-lieu	588,845	588,845	591,411	2,566
Franchise taxes	125,000	125,000	132,914	7,914
Transient occupancy taxes	68,000	68,000	55,301	(12,699)
Licenses, fees & fines	21,000	21,000	20,167	(833)
Fees, fines and forfeitures	30,000	30,000	35,648	5,648
Glenn County Library support	64,800	64,800	65,680	880
City of Willows Library support	-	-	68,895	68,895
Real property transfer tax	16,000	16,000	22,188	6,188
HOPTR	7,500	7,500	7,978	478
Charge for services	137,000	137,000	191,396	54,396
Use of money and property	54,000	54,000	50,217	(3,783)
Administrative allocation	215,067	215,067	215,067	-
Other revenue	8,000	8,000	23,907	15,907
Proceeds from new financing	-	-	1,054,210	1,054,210
Amounts Available for Appropriation	4,010,175	4,010,175	5,163,635	1,153,460
Charges to Appropriations (Outflows)				
5010 City Council	44,917	44,917	56,616	(11,699)
5050 City Manager	222,777	222,777	198,178	24,599
5020 City Clerk	118,474	118,474	119,643	(1,169)
5030 City Finance	110,885	110,885	163,944	(53,059)
5040 City Attorney	58,258	58,258	62,397	(4,139)
5070 City Building	-	-	31,966	(31,966)
Code Enforcement	-	-	42,889	(42,889)
5090 Public works	-	-	23,648	(23,648)
5060 City Planning	132,875	132,875	100,858	32,017
5110 City Police	2,006,824	2,006,824	2,092,293	(85,469)
5120 City Fire	195,635	195,635	226,902	(31,267)
5160 City Engineer	52,367	52,367	21,589	30,778
5170 Streets and storm drains	17,394	17,394	16,402	992
5190 Building maintenance	104,530	104,530	145,350	(40,820)
5200 City Library	343,665	343,665	351,380	(7,715)
5250 City Park Maintenance	141,931	141,931	188,742	(46,811)
5260 City Recreation	295,550	295,550	270,892	24,658
5261 City Pool maintenance	-	-	72,946	(72,946)
6261 Grants administration	4,911	4,911	2,331	2,580
Capital expenditures	-	489,206	618,307	(129,101)
Other expenditures	-	-	567	(567)
Total Charges to Appropriations	3,850,993	4,340,199	4,807,840	(467,641)
Excess (Deficit)	\$ 159,182	\$ (330,024)	\$ 355,795	\$ 685,819

OTHER SUPPLEMENTARY INFORMATION

CITY OF ORLAND
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Gasoline	Transportation	STIP	Assessment	Community	CA BSCC	Downtown	Arts	Nomlaki	Street	Safety	Library	Police	Economic	
ASSETS	Tax	Tax	Papst	Districts	Center	Grant	Signs	Commission	Donation	Scapes	Fund	Funds	Department	& Block	Totals
Cash & investments	\$ 25,222	\$ 10,296	\$ -	\$ 519,819	\$ 1,317	\$ 5,528	\$ 1,502	\$ 88,174	\$ 627	\$ -	\$ 14,547	\$ 101,390	\$ 87,735	\$ 316,492	\$ 1,172,649
Receivables	92,113	-	-	950	-	-	-	-	-	-	-	-	-	-	93,063
Int interest rec.	-	-	-	-	-	-	-	-	-	-	-	-	-	466,003	466,003
Notes receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	5,966,649	5,966,649
Total Assets	<u>\$ 117,335</u>	<u>\$ 10,296</u>	<u>\$ -</u>	<u>\$ 520,769</u>	<u>\$ 1,317</u>	<u>\$ 5,528</u>	<u>\$ 1,502</u>	<u>\$ 88,174</u>	<u>\$ 627</u>	<u>\$ -</u>	<u>\$ 14,547</u>	<u>\$ 101,390</u>	<u>\$ 87,735</u>	<u>\$ 6,749,144</u>	<u>\$ 7,698,364</u>
LIABILITIES															
Payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	6,432,652	6,432,652
Internal loans GF	-	-	1,782	-	-	-	-	-	-	27,518	-	-	-	-	29,300
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,432,652</u>	<u>6,461,952</u>
FUND BALANCES															
Restricted	117,335	10,296	-	520,769	-	5,528	-	-	-	-	-	101,390	87,735	316,492	1,159,545
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	1,317	-	1,502	88,174	627	-	14,547	-	-	-	106,167
Unassigned	-	-	(1,782)	-	-	-	-	-	-	(27,518)	-	-	-	-	(29,300)
Totals	<u>117,335</u>	<u>10,296</u>	<u>(1,782)</u>	<u>520,769</u>	<u>1,317</u>	<u>5,528</u>	<u>1,502</u>	<u>88,174</u>	<u>627</u>	<u>(27,518)</u>	<u>14,547</u>	<u>101,390</u>	<u>87,735</u>	<u>316,492</u>	<u>1,236,412</u>
Total Liabilities and Fund Balances	<u>\$ 117,335</u>	<u>\$ 10,296</u>	<u>\$ -</u>	<u>\$ 520,769</u>	<u>\$ 1,317</u>	<u>\$ 5,528</u>	<u>\$ 1,502</u>	<u>\$ 88,174</u>	<u>\$ 627</u>	<u>\$ -</u>	<u>\$ 14,547</u>	<u>\$ 101,390</u>	<u>\$ 87,735</u>	<u>\$ 6,749,144</u>	<u>\$ 7,698,364</u>

CITY OF ORLAND
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Change in Fund Balances
Year Ended June 30, 2017

	Gasoline	Transportation	STIP	Assessment	Community	CA BSCC	Downtown	Arts	Nomlaki	Street	Safety	Library	Police	Economic	
REVENUE	Tax	Tax	Papst	Districts	Center	Grant	Signs	Commission	Donation	Scapes	Fund	Funds	Department	& Block	Totals
ntergovernmental revenue	\$ 222,564	\$ -	\$ 58,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,117	\$ -	\$ 377,441
harge for services	-	-	-	61,668	-	-	100	21,550	-	-	-	16,699	-	-	100,017
nvestment earnings	91	14	198	610	2	-	2	110	5	-	24	120	49	1,504	2,729
Other revenue	-	-	-	-	-	7,296	-	4,275	-	106,318	-	-	16,455	133,617	267,961
Total Revenue	222,655	14	58,958	62,278	2	7,296	102	25,935	5	106,318	24	16,819	112,621	135,121	748,148
EXPENDITURES															
urrent -															
General government	-	-	-	-	-	-	-	-	-	-	14,590	-	-	-	14,590
Community development	-	-	-	-	-	-	-	-	-	-	-	-	-	192,725	192,725
Public safety	-	-	-	-	-	300	-	-	14,190	-	-	-	30,750	-	45,240
Public works and streets	241,283	-	-	60,225	-	-	-	-	-	-	-	-	-	-	301,508
Library and Arts	-	-	-	-	-	-	-	3,992	-	123,379	-	10,423	-	-	137,794
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
apital projects	-	-	38,989	-	-	-	-	-	-	-	-	-	-	-	38,989
Total Expenditures	241,283	-	38,989	60,225	-	300	-	3,992	14,190	123,379	14,590	10,423	30,750	192,725	730,846
Revenue over (under)															
Expenditures	(18,628)	14	19,969	2,053	2	6,996	102	21,943	(14,185)	(17,061)	(14,566)	6,396	81,871	(57,604)	17,302
ransfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ransfers (out)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CHANGE IN FUND															
BALANCES	(18,628)	14	19,969	2,053	2	6,996	102	21,943	(14,185)	(17,061)	(14,566)	6,396	81,871	(57,604)	17,302
und balance - beginning	135,963	10,282	(21,751)	518,716	1,315	(1,468)	1,400	66,231	14,812	(10,457)	29,113	94,994	5,864	374,096	1,219,110
und balance - end of year	\$ 117,335	\$ 10,296	\$ (1,782)	\$ 520,769	\$ 1,317	\$ 5,528	\$ 1,502	\$ 88,174	\$ 627	\$ (27,518)	\$ 14,547	\$ 101,390	\$ 87,735	\$ 316,492	\$ 1,236,412